

'Whole life' policies rob consumers, expert says

United Press International
CHICAGO — The traditional "whole life" insurance policy robs customers of thousands of dollars in returns and its popularity is declining in the insurance market, the president of a Minneapolis-based insurance firm says.

Robert MacDonald, 39, president of ITT Life Insurance Corp., said his firm no longer offers "whole life" — insurance with a specified death benefit and premiums which remain the same throughout the life of the policyholder.

Instead, he said, ITT urges its customers to buy much cheaper term insurance — coverage for a specific amount with premiums that increase with age. It also urges them to invest the money they save in annuities or other financial instruments which return far more than the 3 percent to 4 percent that insurance companies pay on

whole life policies. "Whole life was designed 75 or 100 years ago and it hasn't changed much since then," MacDonald said. "There's nothing wrong with the concept and it was a reasonable deal when banks were paying 3 percent on savings accounts and the prime (interest rate) was 5 percent."

The problem of whole life for the consumer — and its attraction for the traditional insurance firm — is that policyholders pay more in their younger years than actuarial tables would require. The companies pay only the fixed rate of return on the excess but are free to invest the money at the best rate they can find.

"That's what's built all those buildings and paid for all those agents," MacDonald said. "It's great for the companies but when inflation and interest rates are where they are now, it's just not a good

product. The consumer decided this a couple years ago." In 1970, he said, 70 percent of the life insurance policies sold in the United States were whole life. In 1981, that type of policy made up only 47 percent of total sales, he said, despite a range of powerful incentives built into the system urging agents to sell whole life policies.

By switching to term life, the customer can pocket the difference in premium, increase his coverage as much as five times, or instruct the firm to invest the difference in a more profitable way, MacDonald said.

He said a growing prospect for the future is the "universal life" policy which will let the policyholder share in the investment profits of the company. Eventually, he said, such policies will be offered with different investment options.

"It could be literally any-

thing from diamonds to soybeans," MacDonald said.

He said many of the large, established life insurance firms are fighting the move away from whole life — because it is so profitable, because they have to protect their agent network and because the very concept of "whole life" as opposed to term insurance has acquired an almost religious mystique. "I'll give you an example of what a religious thing this is," said MacDonald, who sold whole life for 15 years. "When an agent changes a policy from term to whole life, he comes back to the office and says, 'I converted Bill Smith.' Everyone knows what he means — he turned a term policy to a whole life policy."

"But when it goes the other way, he's 'twisted' the policy and done something bad."

He said his combined product of annuity-term insurance seems to be doing well in its early stages.

Missouri 'Main Street' shooting to be probed

United Press International
SKIDMORE, Mo. — Several residents in northwest Missouri will testify next week before a Kansas City federal grand jury about the death of Kenneth Rex McElroy, who was gunned down before a crowd on Main Street last summer.

About 10 FBI agents were in Skidmore this week questioning residents about the shooting death of McElroy, Special Agent Max Geiman said Thursday. A grand jury is to convene in Kansas City Monday.

McElroy, 47, was shot to death July 10 as he and his wife, Trina, were getting into their pickup truck outside a tavern in the tiny farming community. The 260-pound man was disliked by several people in the town as he had a history of terrorizing a large area of northwest Missouri.

The postmaster of Skidmore, Jim Hartman, said he is to testify Thursday before the jury. He said that his subpoena did not mention the specific case, but that he assumed it concerns

McElroy. Something about civil rights was mentioned on some of the attached papers, he said.

Despite an extensive investigation, no charges have been filed in the slaying.

McElroy, a sixth-grade dropout who could neither read or write, had been charged with attempted jailbreak, arson and rape. The rape charge was eventually dropped when he married the supposed victim.

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